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RUEHBJ/AMEMBASSY BEIJING PRIORITY 1611
RUEHKO/AMEMBASSY TOKYO PRIORITY 1478
RUEHIT/AMCONSUL ISTANBUL PRIORITY 2047
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY
RHMFIUU/CDR USCENTCOM MACDILL AFB FL PRIORITY
RUEHVEN/USMISSION USOSCE PRIORITY 2537
RUEAIIA/CIA WASHDC PRIORITY
RHEFDIA/DIA WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
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SENSITIVE
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SUBJECT: SUCCESS OF TURKMEN PRESIDENT'S VISIT TO
AZERBAIJAN LIKELY TO ECHO AROUND THE CASPIAN

1. (U) Sensitive but unclassified. Not for public Internet.

2. (SBU) SUMMARY: President Berdimuhamedov was in Baku May 19 and 20 for the first visit by a Turkmen president to Azerbaijan in 12 years, and appears to have closed the door on seven years of sour diplomatic relations between the two states. The visit was focused on signing a number of bilateral economic agreements that will play a role in solidifying the new relationship, but the highest priority topic for discussion was likely bilateral Caspian delimitation and development of a strategy to resolve their dispute over the Serdar/Kapaz offshore field (septel). As the bilateral relationship improves and develops, the surrounding region stands to benefit in the longer term. The visit also demonstrated Berdimuhamedov's intention to improve Turkmenistan's relations in the region and standing in the world. END SUMMARY.

NEW RELATIONSHIP FOCUSED ON THE FUTURE

3. (SBU) Azerbaijani President Aliyev called Berdimuhamedov's visit a historic event that successfully raised the bilateral relationship to a "qualitatively new stage." In addition to a joint communique, the two delegations signed six other documents, including intergovernmental agreements on foreign ministry protocols, financial investment protection, international and roadway transportation, and bilateral trade. One element of the transport agreement related to making Azerbaijan a partner and beneficiary of the North-South transportation project currently underway in Kazakhstan, Turkmenistan and Iran. The two presidents also discussed inter-parliamentary cooperation and agreed to continue bilateral border delimitation negotiations. During the visit, President Berdimuhamedov also announced that Baku would host a joint conference on Turkmen and Azeri oil and gas issues in September 2008.

4. (SBU) Although Caspian energy issues certainly topped the agenda, the two presidents were careful in describing the nature of their discussions. Although they publicly stated that they had been in agreement on a number of issues they discussed privately, including Caspian delimitation and

energy security, they still expressed their commitment to the development of a Convention on the Legal Status of the Caspian Sea, along with the other littoral states. The international transportation agreement that they signed reportedly included provisions for facilitating significantly increased trans-Caspian transport of international cargo.

PRESS REACTIONS VARIED

15. (SBU) Western press speculated that the two states would focus on resolving issues related to the potential construction of a trans-Caspian pipeline, and underscored the value of an improved bilateral relationship between Azerbaijan, with its developed energy sector and transport infrastructure, and Turkmenistan, with its hydrocarbon export potential and desire for pipeline diversification. Russian press, on the other hand, speculated with concern that the two states would soon resolve their old disputes and move closer to a bilateral delimitation agreement that would open the door to a trans-Caspian pipeline, leaving Russian energy interests out in the cold. "Kommersant" fretted over Western efforts to influence events in the Caspian, and noted U.S. government financing of a pipeline feasibility study in 2007 and the increase in high-level EU delegation visits to both states over the past year seeking to diversify European energy supplies.

16. (SBU) Turkmen press provided wide and favorable coverage of the president's visit to Baku. On May 20, a lengthy article provided the text of almost every public statement the two presidents made during the first day of meetings. On

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May 21, under the headline "Sunny Baku welcomes Gurbanguly Berdimuhamedov" were photos of Turkmenistan's president during the ceremony at Baku State University where he received an honorary doctorate. Covering the rest of the page was another lengthy article that again included all public statements and details about Berdimuhamedov's official activities in Baku.

17. (SBU) COMMENT: On a public diplomatic level, the visit solidified the rapidly-warming relationship that Turkmenistan and Azerbaijan apparently want. On a commercial level, both states understand that the speedy resolution of old disputes will clear the way for developing a multi-vectored, mutually-profitable energy, trade and transport relationship that would also yield benefits for other states in the region in the longer term. The visit also demonstrated Berdimuhamedov's intention to improve Turkmenistan's relations in the region and standing in the world. END
COMMENT.
HOAGLAND